



Subject:	Minutes of the 39 th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue:	Ken Spencer Room, AUASB offices Level 7, 600 Bourke St, Melbourne
Date:	20 July 2009, from 9.00 a.m. to 5.00 p.m. 21 July 2009, from 9.00 a.m. to 12.30 p.m.

All agenda items were discussed in public, except Agenda Item 11.

Attendance

Members present	Ms Merran Kelsall (Chairman) Mr Jon Tyers (Deputy Chairman) Ms Dianne Azoor Hughes Mr Mike Blake Ms Valerie Clifford Mr John Gavens Mr Chris Hall Dr Christine Jubb Mr Clive Mottershead Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Ms Elizabeth Johnstone Ms Dianne Azoor Hughes (Day 1 1.30 pm – 5.00 pm) Mr Jon Tyers (Day 2)
Staff	Mr Richard Mifsud (Executive Director) Ms Susan Fraser (in part) Ms Claire Grayston (in part) Ms Marina Michaelides (in part) Ms Ruth Oliquino Mr Howard Pratt (in part) Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 496)

“Declarations of Interests” forms for Members were tabled and confirmed, including amendments for Dr Jubb, Mr Pound and Ms Azoor Hughes.

Members have adopted the standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the Board.

Minutes

(Agenda item 2 – Minute 497)

The Board approved the minutes of the 38th meeting held 1-2 June 2009.

Matters Arising and Action list

(Agenda item 3 – Minute 498)

The status of matters arising brought forward from previous AUASB meetings and action items were noted, with amendments to be carried forward as requested by the Board.

Reports from AUASB Chairman on Recent Meetings and Corporate Matters

(Agenda item 4 – Minute 499)

- (a) The Chairman reported on key meetings attended since the last meeting.
- The AUASB Business Plan and Corporate Plan for 2009 – 2010 have been noted at the June 2009 FRC meeting.
 - The next FRC Nominations Committee meeting will consider the peer and self-assessment reviews undertaken by the AUASB and AASB. Each chair is expected to provide feedback for individual board members.

(b) Other Matters

Dr Jubb gave a brief update to the Board regarding the status of the Report on *The Future of Auditing*. The Report is now available at the ANU – Australian National Centre for Audit and Assurance Research website.

Dr Jubb also suggested that further research might be undertaken in respect of auditors' modified opinions, including their relevance in difficult economic conditions, or other relevant topics, if funding were to be found.

The Board also discussed the evolving market expectations of audit and perception of the framework of audit, including whether there is a need to further educate stakeholders in this regard.

ASA Redrafting

(Agenda item 5 – Minute 500)

Project Update

The Board received a progress report on the AUASB Clarity project, noting that the project is on track for completion, as planned, in October 2009. The Board will review all the Revised and Redrafted Auditing Standards at the September 2009 meeting, including ASQC 1 and those that were cleared at this July meeting, with the aim of approving them for issue at the October 2009 meeting.

ASA Redrafting

(Agenda item 6 – Minute 501)

Consider Group 7 Responses to Exposure Drafts and Clearance for Final Approval

The Board considered responses to exposure drafts and revised drafts of the following proposed pronouncements:

- (a) *ASA 210 Agreeing the Terms of Audit Engagements*
- (b) *ASA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- (c) *ASA 402 Audit Considerations Relating to an Entity Using a Service Organisation*
- (d) *ASA 505 External Confirmations*

The Board requested minor amendments and agreed on clearance for approval in October 2009.

Standard Business reporting

(Agenda item 7 – Minute 502)

Mr Paul Madden (Program Director - Standard Business Reporting, Australian Treasury) presented to the AUASB with an update on the progress of the Australian Government's Standard Business Reporting (SBR) program. The AUASB will continue to consider the implications of SBR on auditing and assurance standards, including developments internationally and whether the concept of continuous auditing eventuates. An issue requiring resolution internationally is that of appropriate assurance of the taxonomy.

ASA Redrafting

(Agenda item 8 – Minute 503)

Consider Group 7 Responses to Exposure Drafts and Clearance for Final Approval

The Board considered responses to exposure drafts and revised drafts of the following proposed Auditing Standards:

- (a) *ASA 501 Audit Evidence – Specific Considerations for Inventory and Segment Information*
- (b) *ASA 508 Audit Evidence – Specific Considerations for Litigation and Claims*
- (c) *ASA 620 Using the Work of an Auditor's Expert*
- (d) *ASA 710 Comparative Information – Corresponding Figures and Comparative Financial Reports*

The Board requested minor amendments and agreed on clearance for approval in October 2009.

(Agenda item 9 – Minute 504)

Consider Further Amendments to *Proposed ASQC 1* and *AUASB Glossary*

Update on the Revision of the *Framework for Assurance Engagements* and *Foreword*

- (a) The Board considered a further consequential amendment to ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements*. ASQC 1 has been cleared, for final approval of the Board at the October 2009 meeting.
- (b) The Board also considered a draft of the revised *AUASB Glossary*. The final revised *AUASB Glossary* will be presented to the Board at the 7–8 September 2009 meeting for approval.
- (c) The Board received an update on the progress of revising the *Framework for Assurance Engagements* and *Foreword*. Drafts of these pronouncements will be considered at the Board's September 2009 meeting.

ASA Redrafting (Continued)

(Agenda item 10 – Minute 505)

Other Matters

- (a) References to Relevant Ethical Requirements in AUASB Standards
The Board received an update on this issue. It was noted that this matter will be discussed further with Treasury, and the Board will receive a written update prior to the September 2009 meeting, with a view to discussion at that meeting.
- (b) Regulation Impact Statement (RIS)
The Board considered a draft of the *Regulation Impact Statement for the Redrafting Auditing Standards in Clarity Format*. A revised draft will be considered at the Board's September meeting this year for approval.

National Greenhouse and Energy Reporting (NGERS) Act 2007 and Carbon Pollution Reduction Scheme (CPRS)

(Agenda item 11 – Minute 506)

The Board received an update on the proposed draft NGERS *Audit Determination*, and requested the AUASB Technical Group to pursue this matter further with the Department of Climate Change.

Specified Assurance Procedures

(Agenda item 12 – Minute 507)

The Board received an update on the project to revise AUS 904 *Engagements to Perform Agreed-upon Procedures*. The Project Advisory Group will be provided with an Issues Paper and a detailed proposed outline of the proposed Guidance Statement.

Managed Investment Schemes

(Agenda item 13 – Minute 508)

The Board considered the drafts of the proposed Guidance Statements that will replace AGS 1052 *Special Considerations in the Audit of Managed Investment Schemes* and AGS 1058 *Auditing Mortgage Investment Schemes*. Amended final drafts of the proposed Guidance Statements that will replace AGS 1052 and AGS 1058 will be circulated to the Board for an out-of-session approval. The Board also requested that ASIC be consulted on the proposed Guidance Statements.

Bank Confirmation Requests

(Agenda item 14 – Minute 509)

The Board received an update on the project to revise AGS 1002 *Bank Confirmation Requests*. A Project Advisory Group has been organised, and has already met. Further meetings are to be held with the PAG and representatives of the major banks.

Fundraising Engagements/Prospective Information/Comfort letters/Privity Letter requests

(Agenda item 15 – Minute 510)

The Board received an update on projects for the:

- revision of AUS 804 *The Audit of Prospective Financial Information* and AGS 1062 *Reporting in Connection with proposed Fundraising* and reissue as one Standard on Assurance Engagements (ASAE).
- development and issue of a Guidance Statement on Comfort Letters based on US SAS 72 *Letters to Underwriters and Certain Other Requesting Parties*.
- revision of AGS 1014 *Privity Letter Requests* and reissue as a Guidance Statement.

Reissuance & Withdrawal of Other Guidance Statements

(Agenda item 16 – Minute 511)

- (a) The Board approved the immediate withdrawal of AGS 1004 *Transitional Arrangements on Changes in Audit Appointments under the Corporations Act*.
- (b) The Board considered drafts of the proposed Guidance Statements to replace:
 - AGS 1032 *Audit Implications of Accounting for Investments in Associates*; and
 - AGS 1040 *Franchising Code of Conduct – Auditor's Reports*.

The Board requested various changes on the drafts of the above proposed Guidance Statements. The revised drafts will be considered further at the 26-27 October 2009 Board meeting. The Board also suggested further liaison with the AASB for AGS 1032, and the ACCC and relevant government department for AGS 1040.

International Matters

(Agenda Item 17 – Minute 512)

- (a) The Board received an update on the activities of the IAASB and other national standards setters for the month of June 2009.
- (b) The Board noted key outcomes from the IAASB meeting held 15-19 June 2009.
- (c) The Board received reports from taskforce members on IAASB projects:
 - Reviews and Compilations - Ms Azoor Hughes
 - Pro Forma Information in Prospectuses – Mr Simmonds

Other Business

(Agenda Item 18 – Minute 513)

- (a) The Board noted the presentation materials of the Water Accounting Standards Board, presented to the AUASB Technical Group in June 2009, regarding Water Accounting Standards developments. The Board expressed interest in having further discussions with the WASB in respect of Assurance of Water Accounting Reports.
- (b) The Board noted the AUASB's written response on the draft *Audit Guidelines for Electricity, Gas and Water Licenses* issued by the Economic Regulation Authority.

Next Meeting

The next meeting of the AUASB will be held on Monday 7 and Tuesday 8 September 2009.

Close of Meeting

The Chairman closed the meeting at 5.00 p.m. on 20 July and 12.30.p.m. on 21 July 2009.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 7 September 2009